

2012 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
94	1	B	1

Budget Action Title: Adopt Resolution 31331 regarding SDOT debt management policies.

Councilmembers: Budget Committee

Staff Analyst: Bob Morgan

Council Bill or Resolution: Reso #31331; tab 17 in gray notebook

Date		Total	SB	BH	SC	TR	JG	NL	RC	TB	MO
	Yes										
	No										
	Abstain										
	Absent										

Budget Action description:

This green sheet would adopt Resolution 31331 rescinding SDOT debt management policies in resolution 30636 and placing SDOT under the City's overall Debt Management Policies. Green sheet # 94-1-A is an alternative that would re-refer resolution 31331 to the Council's Finance and Budget Committee.

Neither this option B, to adopt Resolution 31331 now, nor option A, to re-refer the resolution to the Finance and Budget Committee has any 2012 budget impact.

SDOT Specific Debt Policy Proposed to be Rescinded in Favor of Citywide Debt Policy:

Resolution 31331 would rescind the Seattle Department of Transportation (SDOT) debt management policies contained in Resolution 30636 and place SDOT and the Transportation Operating Fund (TOF) under the City's overall debt management policy.

The City Council adopted Resolution 30636 in 2003. This resolution created debt policies specifically for SDOT and the TOF. The broad intent of the policy was to account for the cost of Limited Tax General Obligation (LTGO) – Councilmanic – bond-funded transportation projects for which the City's share is less than \$10 million “holistically” (in one place), by funding debt service for those LTGO projects out of the TOF.

Recommendation from 2005 SLI Response:

In 2005, in response to a Council Statement of Legislative Intent (SLI), SDOT provided an analysis of transportation debt management policies. That analysis (included as an attachment to the proposed resolution) recommended that the transportation-specific debt policies be rescinded, and that transportation debt be governed by the City's overall Debt Management Policies. This is currently the practice of the City; however, the original resolution was never rescinded.

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
94	1	B	1

Differences with Citywide Debt Policies:

The SDOT policies state that they are supplemental to the City-wide policies, and therefore many of the City-wide policies already apply to SDOT. However, in some respects they differ and presumably the SDOT policies would prevail for transportation project LTGO debt.

The significant differences between the SDOT debt management policies and the City-wide policies are as follows:

1. Transportation Operating Fund (TOF) to fund transportation LTGO debt service: The SDOT policies specify that the TOF is to have primary responsibility for LTGO debt service on projects costing less than \$10 million. The City-wide policies have no such provision.

It may be that the large scale project exception in the SDOT policy has thwarted its intent to have holistic reporting of transportation capital costs in the TOF. There have been many large scale transportation projects that have been funded outside of the TOF along with their debt service consistent with the SDOT policy. These include funding by the Cumulative Reserve Subfund for projects such as the Alaskan Way Viaduct and Seawall, Bridge Way North, and Fremont Bridge Approaches; and the Seattle Center Fund's contribution in 2005-2006 to debt service for the Mercer Corridor project.

2. Debt service limits have different bases: The SDOT policies limit debt service on small LTGO transportation projects to 7% of the local (non-grant) revenues to the TOF; City policies limit all LTGO debt service to 7% of the GSF budget in the long term. Thus the theoretical maximum amount of debt service for smaller transportation capital projects would be greater if the SDOT policy is rescinded, depending on how much competition for the available debt service capacity there is with non-transportation projects. An evaluation of the specific dollar implications for debt service limits for transportation projects is not available.

Policies common to SDOT and City-wide debt management policies: Since the SDOT policies are supplemental to the city-wide policies, the City-wide policies apply to SDOT already, where there is no difference from SDOT policies. Examples of common policies include:

1. Both policies require that projects must have a useful life equal to or greater than the term of the debt.

(Note: City-wide policies also require at least a 5-year life, and allow using average project life if multiple projects are financed);
2. Both policies have similar provisions for not funding ongoing maintenance or routine annual projects;
3. Both policies call for including projects in the six-year capital plan (CIP) as does state law;

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4. City-wide debt policies such as requirements for financial disclosure; Councilmanic debt capacity and reserve; annual debt reporting; debt standards and structure; and debt administration and process apply to SDOT as well.